

Message Text

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PAGE 01 STATE 236701

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ORIGIN STR-04

INFO OCT-01 EA-07 ISO-00 STRE-00 EB-07 EUR-12 COME-00

ITC-01 TRSE-00 L-03 DODE-00 PM-04 /039 R

DRAFTED BY STR:AWWOLFF:395-5116
APPROVED BY STR:AWWOLFF
STATE;MGOLDMAN

----- 073465

O R 232223Z SEP 76
FM SECSTATE WASHDC
TO AMEMBASSY TAIPEI IMMEDIATE
AMEMBASSY TOKYO IMMEDIATE
INFO CINCEUR

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E.O. 11652:

TAGS: ETRD, JA

SUBJECT: REMEDIAL TOKYO SPECIALTY STEEL TALKS

FOR AMBASSADOR YEUTTER, R. HEIMLICH AND J. SPIRO FROM WOLFF

REF: TAIPEI 6451

1. RE COMMERCE ESTIMATES: CONVERSELY, 10,000 TONS FIGURE FOR TOTAL IMPORTS OF 52100 STEEL REPRESENTS PURCHASES BY FOUR LARGE FIRMS; OF THIS FIGURE ONLY 1600 TONS IS JAPANESE MATERIAL. THIS DATA FOR LARGE BALL FIRMS CONSIDERED ACCURATE BY DOC. THIS INDICATES SIGNIFICANT NON-JAPANESE TRADE INTEREST.

2. RE UNLIKELIHOOD OF COMPLAINTS BY OTHER SIGNIFICANT SUPPLIERS: THE SWEDES HAVE ASKED FOR APPOINTMENT HERE TOMORROW IN ORDER TO COMPLAIN OVER COVERAGE OF BEARING STEEL BY QUOTA. ONLY 90 TONS HAVE COME IN SO FAR, BUT 6,000 -
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PAGE 02 STATE 236701

7,000 TONS ARE EXPECTED DURING QUOTA YEAR (OF BEARING

STEEL).

3. ITEM 923.24 ALLOY TOOL STEEL CHARGES AS OF SEPTEMBER

22, 1976 FOLLOW: JAPAN, 2,807 TONS; EEC (THROUGH

9/17/76), 1,380 TONS; CANADA, 556 TONS, SWEDEN, 2,860 TONS.

SWEDEN AND EEC CANNOT BE RULED OUT AS PROBLEMS SINCE EFFECT OF QUOTA HAS BEEN FOR CUSTOMS TO SCRUTINIZE WHAT

WOULD OTHERWISE BE MERELY CLASSIFICATION FOR STATISTICAL PURPOSES. THE SWEDES WILL DEFINITELY VIEW MAJOR SHIFT ALLOWANCES FOR JAPAN AS DISCRIMINATORY.

4. GOJ FIGURES FOR JAPANESE SCHEDULED IMPORTS, CUMULATIVE FOR TOOL STEEL (INCLUDING BEARING), FOR NEXT THREE MONTHS (PERCENT SHIFT NEEDED IN PARENTHESES) FOLLOW: SEPTEMBER, 1,617 TONS (6.2 PERCENT); OCTOBER, 3,804 TONS (68.7 PERCENT); AND NOVEMBER, 5,510 TONS (117.4 PERCENT). TOOL (NON-BEARING) COMPARABLE CUMULATIVE FIGURES ARE 183, 782 AND 1,079 TONS, FOR THE SAME THREE MONTHS, RESPECTIVELY.

5. RE QUESTIONS RAISED REFTEL PARA 4:

(A) SIGNIFICANT NEW INFORMATION NOW AT HAND, BUT NOT REPEAT NOT VERIFIABLE BY USG STATISTICS. CLEARLY AMENDMENT NEEDED TO SHIFT BEFORE WE HAVE ALL THE FACTS FROM OFFICIAL USG SOURCES. SINCE YOU HAVE DRAFT LETTERS AND ARE CURRENT ON INFORMATION, YOU MAY WISH TO PURSUE FURTHER AD REFERENDUM SOLUTION.

(B) IN WASHINGTON TALKS WITH YOKOYAMA WE DISCUSSED BREAKING DOWN TOOL STEEL CATEGORY 923.24 INTO TWO CATEGORIES (BEARING, AND ALL OTHER TOOL) TO AVOID UTILIZATION OF LARGE AMOUNT OF ADDITIONAL ALLOWABLE SHIFT FOR SHIPMENTS OF THE QUOTE ALL OTHER END QUOTE CATEGORY. TWO CATEGORY SHIFT APPROACH REQUIRES DEFINITION OF BEARING STEEL WHICH MAY REQUIRE SUBSTANTIAL NEGOTIATIONS INTERNALLY AND WITH GOJ. GOJ SUGGESTION FOR SCHEDULE SIX LIMITED OFFICIAL USE

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PAGE 03 STATE 236701

HEADNOTE AMENDMENT WAS RELATED TO EXCLUSION NOT SHIFT PROBLEM BUT ISSUES RAISED ARE SIMILAR. I PRESSED YOKOYAMA ON DEALING ONLY WITH A DEFINITION OF BEARING RELATING TO SUJ 2, WHICH IN OUR TERMS WOULD BE STRICTLY LIMITED TO AISI 52100. I BELIEVE THAT GOJ WILL DROP SUJ 3 AS ITEM FOR EXCLUSION SINCE TRADE INTEREST SLIGHT. GOJ NOW CONSIDERING WHETHER 52100 DEFINITION QUOTE AND NO OTHER ELEMENT END QUOTE MEETS THEIR NEEDS.

(C) IF WE COULD AGREE ON BEARING DEFINED AS AISI 52100, APPROACH SUGGESTED SEEMS FEASIBLE, ALTHOUGH LOGIC FOR THIS IS UNCLEAR. PROVENANCE OF YOUR 4200 TON FIGURE FOR BEARING ENTERED BY END OF SEPTEMBER ALSO OBSCURE, SINCE U.S. CUSTOMS FIGURES THROUGH YESTERDAY

INDICATE ONLY 2807 TONS SHIPPED (ALL TOOL) AND GOJ FIGURES APPEAR TO INDICATE SCHEDULED SHIPMENTS TOTALING 3717 TONS (ALL TOOL) THROUGH THE END OF SEPTEMBER. (AUTUMNAL EQUINOX HOLIDAY PREVENTS VERIFICATION WITH GOJ EMBASSY TODAY).

(D) DENT/TOGO LEVEL EXCHANGE NOT ABSOLUTELY

ESSENTIAL, BUT THIS IS AN AMENDMENT AND GOJ MUST RECOGNIZE IT AS SUCH AND FORMALLY AGREE. IF GOJ CABINET DECISION NECESSARY FOR AMENDMENT, JUST AS WELL TO MAINTAIN ORIGINAL LEVEL OF SIGNATURE. NO GOJ REACTION DUE TO AUTUMNAL EQUINOX. MAIN PURPOSE OF LETTER IS, AFTER GIVING TWO MONTHS BREATHING SPACE, TO GIVE GOJ CABINET BLESSING TO SUBSEQUENT SHIFT AMENDMENTS WITHOUT FURTHER GOJ CABINET APPROVAL. LATER AMENDMENTS MIGHT BE E.G. FUKADA/YEUTTER EXCHANGE OF LETTERS.

(E) 100 PERCENT LIMIT USED IN CONSULTATIONS WITH INDUSTRY, WHICH CONCURS FULLY BUT FEARS LARGER FIGURE WOULD GIVE INCENTIVE TO SHIP NON-BEARING TOOL STEEL IN EXCESS OF 3500 TONS FOR FIRST RESTRAINT PERIOD. 100 PERCENT SHIFT GIVES LITTLE OR NO ROOM FOR THIS TO OCCUR. SHIFT OF 200 TO 700 PERCENT WILL GREATLY INCREASE PROBLEM

WITH SWEDES AND OTHERS WHICH WE SHOULD AVOID PENDING LIMITED OFFICIAL USE

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PAGE 04 STATE 236701

ASSESSMENT OF THE TRADE INTERESTS OF OTHER SUPPLIERS AND WHAT, IF ANYTHING, CAN BE DONE TO MEET THEIR CONCERNS.

UNCLEAR WHERE YOUR ONE MONTH ESTIMATE OF BREATHING SPACE COMES FROM, BUT BY THEN, IF GOJ AGREES TO PROCEDURAL SUGGESTIONS, EVEN A YOKOYAMA/HEIMLICH EXCHANGE MIGHT OPEN THE CUSTOMS GATE.

6. RE RESTORATION: WOULD MAINTAIN POSITION, ALTHOUGH CLEARLY PROBLEM OF RECONSTRUCTION OF DATA MAY WELL PROVE

INSUPERABLE.

7. NOTE -- INDUSTRY WOULD PREFER THAT SOME OF SHIFT COME FROM BAR AND ROD IF POSSIBLE. I HAVE NOT APPROACHED GOJ

YET ON THIS. YOU MIGHT TRY, ALTHOUGH LIKELIHOOD SLIM.
SINCE THERE WILL BE RESTORATION, THIS IS A PROBLEM OF
COSMETICS. ROBINSON

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: IMPORTS, NEGOTIATIONS, STEELS
Control Number: n/a
Copy: SINGLE
Draft Date: 23 SEP 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: coburnhl
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE236701
Document Source: CORE
Document Unique ID: 00
Drafter: 5116
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760360-0182
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760926/aaaaavvv.tel
Line Count: 173
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN STR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 TAIPEI 6451
Review Action: RELEASED, APPROVED
Review Authority: coburnhl
Review Comment: n/a
Review Content Flags:
Review Date: 27 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <27 MAY 2004 by ShawDG>; APPROVED <16 SEP 2004 by coburnhl>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: REMEDIAL TOKYO SPECIALTY STEEL TALKS FOR AMBASSADOR YEUTTER, R. HEIMLICH AND J. SPIRO FROM WOLFF
TAGS: ETRD, JA, US
To: TAIPEI TOKYO
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006